

SPECIFICITY OF STRATEGIC ALTERNATIVES IN DELAYED PRODUCTS MARKETING

Dănuț Dumitrescu, Cristina Hora, Simona Dzitac, Horea Hora
University of Oradea, dumitrescudan70@yahoo.com, chora@uoradea.ro,
simona.dzitac@gmail.com, horahorea@yahoo.com

Keywords: product launching, innovative company, innovational efforts, loss of logistic advantage

Abstract: The delaying of products launching determines significant losses and threatens the strategic objectives of the firm's marketing program. In fact, the matter is concerning the economic and financial performances, but especially the firm's market positioning and its propagated image by products. Identifying the solutions of strategic action that can rehabilitate the concerned products are mostly specific to this field and essential in their marketing.

1. INTRODUCTION

The new products and services launching plays an important role in marketers' concernings both in terms of its specific perspective against the other life stages, but especially the capitalization of strategic opportunities in order to approach the full evolving market process. As one of the most important ways of creating value in any industry, product launching actually reflects the manufacturers' and suppliers' combined effort of all links along the communication channel till the consumer or customer in the competitive context determined by the interest of other sectorial operators.

2. INTROSPECTIV STUDY UPON THE PROBLEMATICS OF DELAYED PRODUCTS' LAUNCHING

Effectively, the pursued general strategic objectives are common, concentrating the competition area and its developing level, concerning:

- the increasing of company's sales volume and inferentially the turnover;
- the expansion of products and services portfolio as the premise of higher satisfying of consumer's needs;
- the identifying and attracting of new consumers' segments, especially in the area of relative nonconsumers;
- the building of new perceived advantages in the market as elements of multiplying the possibilities of using these products and services;
- the improving of performance indicators of products' and services' mix, mainly expressed by the increasing of average productivity, but specially the marginal one;
- the flexibilizing of price policy in view of adequated adaptation to the market dynamics.

Under these circumstances, the option of designing, developing and launching new products and services is no longer a strategic choice as itself, clearly being a prerequisite in terms of achieving and maintaining a stable competitive position. The innovative company will benefit from a series of advantages identified by the technological priority, the prospective knowledge of market and the developing of productive and creative ability. In the extent that such assets are continuously assimilated in the corporate culture, the organization will adopt a constant innovative approach regarding the continuous

investment supporting of existing products and services development, as well the new ones which are requiring the encouragement of inventiveness.

On the other hand, the competitive advantages are not necessarily the result of certain indented activities, in most cases representing routine operations whose final purpose is targeted and focused on the existing or at least predictable needs in terms of their practical manifestations. This strategic approach, especially aiming to meet future desires of the consumers and accordingly new products configuration is often poorly perceived by the latter, their ability to manifest an obvious satisfaction in relation to a major innovation being relatively low. Of course, this phenomenon is closely linked to the complexity and technological level of product, the consumer's experience and culture, the communication policy priorities of the company, the adapting level and efficiency of distribution channels, etc. Some specialists (Product Development Institute Inc., RGCooper & SJ Edgett) estimates that about 50% of current products sales of companies portfolio are due to the introduction of new products on the market, the past five years at least. Moreover, in the context of accelerated economic competition and diversification of its acting plans, the streamline resource allocation for research and development (R & D) is a long term winning assumption.

More often than not, the innovative attitude, especially that bringing major amplifications of the products is not encouraged enough, causing, among other things, their launch delaying on market under the circumstances of newcomers' operating through more efficient distribution channels, aggressive advertising or dumping limit prices. There appears significant delays in the launching on market, essential step in any product marketing program with strategic implications that deeply hamper its life cycle. In other words, the offensive strategic market approach, with all the additional risks assumed by the company, is rather to a responsive one, essentially passive, waiting the competitors' movements without ever targeting the hierarchy top. The main consequences operationally and financially emphasized are related to:

- the negative impact upon company's profitability, due to the costs of research, development and production efforts of manufacturing the delayed launching products, to which can be added those of developing the marketing mix;
- the loss of technological advantage and diminishing of quick recovery chances of innovational efforts;
- the strengthening of the competing products positions, more attractive in terms of price and market competition catalyser;
- the dissemination of technological know-how on the market, especially in case of a weak patent or manufacturing recipes protection;
- the specialists mobility, willing to offer their knowledge and experience to any competitor in exchange of material benefits and superior working conditions;
- the informal communication and unlimited access to information may seriously affect the novelty of innovation as a firm's strategic advantage;
- the operating preemption loss upon specialized distribution channels, properly retail spaces adapted to new the requirements and means of effective communication;
- the loss of logistic advantage, in fact that given by the infrastructure and new products manufacturing equipment;
- the uncertainty of future costs, especially those related to resources providing, products distribution and contractual portfolio;

The fulfilling of firm's strategic objectives regarding the entire range sales may be so compromised by the delayed launch of new products and the influencing of their life cycle. In figure 1 there is presented a normal cycle of life product in which the launching

took place at the right time, obviously might be differences between the stages duration from a product to another.

The profit curve marks an evolution mainly determined by achieving its function marginal limit, namely cancelling by the end of the decline.

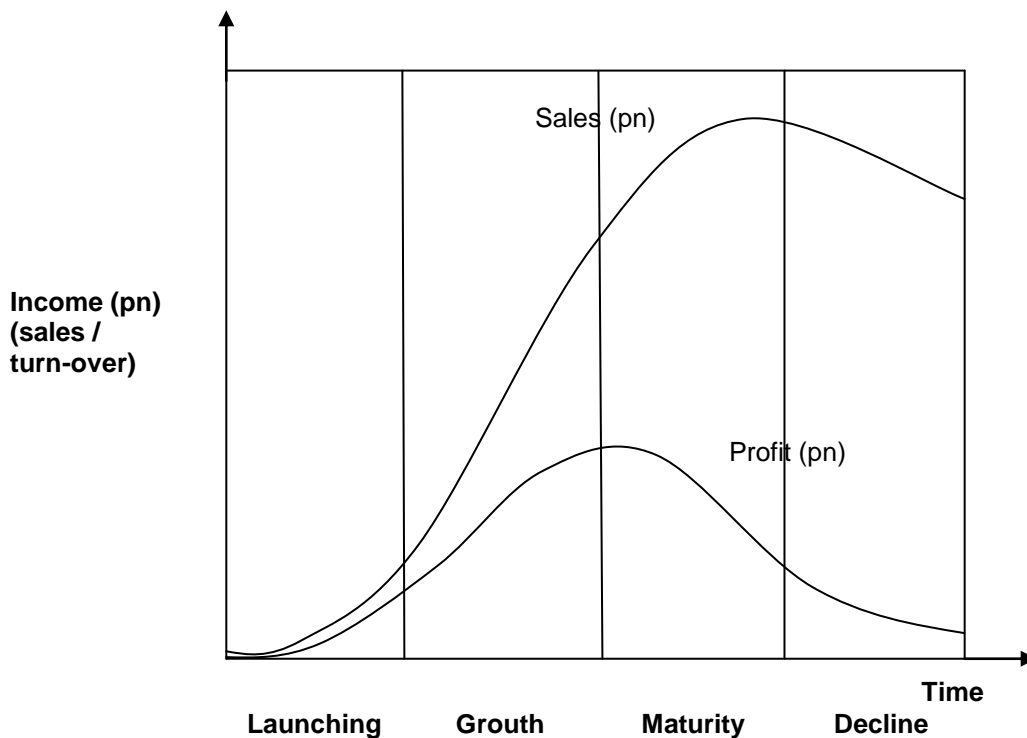


Fig.1 The evolution of income and profit curves in a normal cycle of product's life

In figure 2 is shown the life cycle of a product whose launch was delayed of various reasons, primarily observing a "compression" of the life cycle determined by this fact. Therefore, the shortening of launch period is causing an extension of time in which the company records loss, the positive returns appearing only in the beginning of growth time along with the rising of marginal rate of profit, drawing up a similar evolution of the profit curve. On the other hand, the threshold touch of profitability, respectively the minimum sales mass that records profit, considerably shrinks as duration directly influencing the total mass of profit associated with the selling of this product.

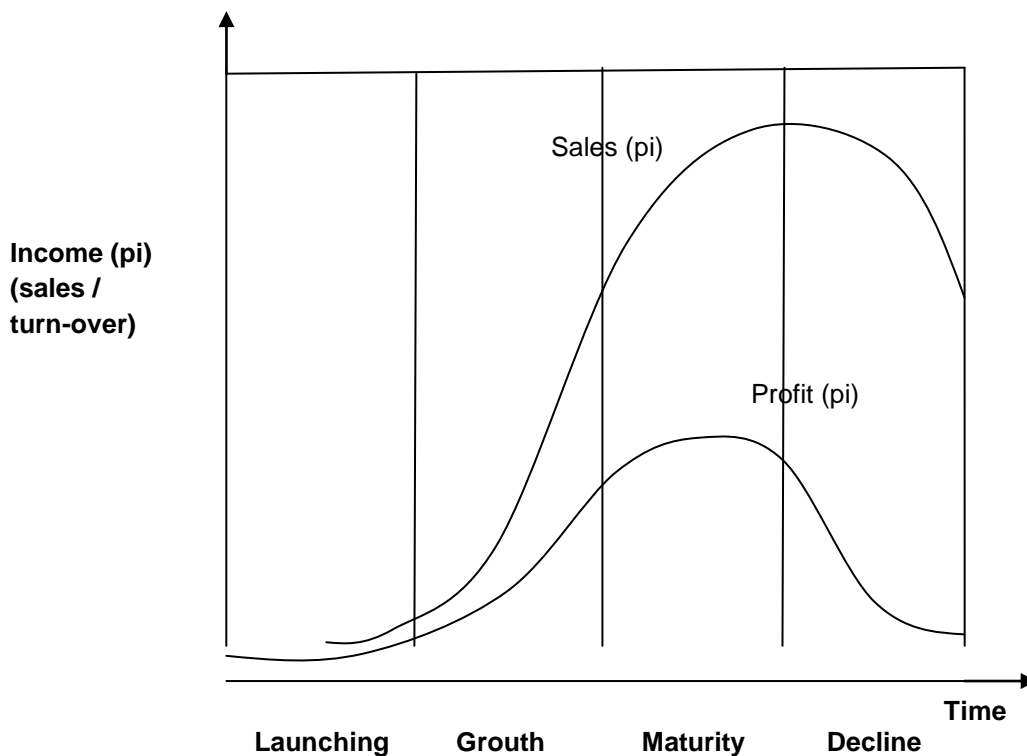


Fig.2 The evolution of income and profit curves in a cycle of life product with delayed launching

Analyzing the causes of delayed launching, we distinguish these possible scenarios:

1. The delay due to exogenous cyclical states, such as a general decrease of consumption, consumers' income or even recession, has the strongest negative effects upon product life. This will "consume" a good part of the strategic potential of the innovative firm, the objective launch delaying causing the obsolescence accumulation and absolute novelty loss. Also, the pre-launching costs will strongly strike the overall economic performance, the product manifesting itself as a "millstone" of the portfolio along with the action of the pressure determined by the launching new concurrent products. In order to solve this situation there requires a co-operation between designer, manufacturer and distributor regarding the reconfiguration of the product as the main objective is the extension of information services, technical assistance and advisory consultancy, attached to its body elements. In this way, in terms of marketing analysis, the product will acquire a customer's new perceived value:

$$V_p = C_c + C_a + C_{co} + C_i, \text{ where:}$$

V_p – the consumer's perceived value;

C_c – tangible elements, strongly linked to the functional utility;

C_a – non-tangible elements, namely the mark and product's associated services;

C_{co} – communication elements, especially the promotion and publicity;

Ci – image elements, linked to the cognitive perception, emotional or induced by the consumption medium.

The marketing efforts will be directed mainly on communication and image elements, assuming that other significant tangible or non-tangible amendments of the product can not be made, already being included in the delayed launch version.

The recommended strategy under these circumstances is the **amplification product mix** by the potential consumers identifying of certain differential advantages not only in relation to the market existing products but especially with the offered current trading products. This will occupy a privileged place in the business mix, particularly distinguished from the other products of the mix and with a distinct positioning in the future offer, so that its receiving will positively influence the market outcome.

2. The delay due to certain endogenous circumstances whose causes are of inner organizational nature are causing the delay of product launching program from different reasons:

- the documentary impact study indicates a consumers' perception of the product under producer's expectations;
- certain tangible elements accomplished in collaboration with other companies (packaging, labels, accessories, etc.) are under the class product quality and can damage the brand image;
- the test results (product, packaging, brand) indicate the need to develop a product improvement program based on qualitative research of its attributes;
- the market acceptability test of the product reveals that a conservative consumer optics occurs in relation to certain specific values (customs, traditions, microcultures, etc.) that can affect the product merchantability;
- the legal insurance product delays due to certain nonconformities of the mark in relation to its registration and homologation request;
- the emergence of any discrepancies on pricing or launching territorial area between the manufacturer and his major distributors directly interested in a rapid growth in sales;
- the inadequate training of sales force or service network in relation to a new product launch requirements.

The listed cases are obviously only a part of the situations that may cause product launch delays and their resolution can only be punctual and not global. Therefore, the adopting of a single strategy is not a rational and efficient solution, marketing analysis might indicate more strategic action directions:

- **reconfiguring product strategy** based on the correction of those items that proved to be generating the delayed launching. The extra cost of this advisable "cosmetization" can be quickly recovered in the context that launch would take place within the parameters of the program established by manufacturer;

- **pooling mix strategy** involves the reshaping of manufacturer's offer, in which the attached services, promotion, sales force and communication efforts are grouped according to predetermined performance criteria designed to maximize the consumer utility. In this way, the new product whose launch was delayed, will potentiate, by novelty and increased general value, the sales of the products and services group of which it is a part, therefore the novelty will be perceived as belonging to the group and not to a single element of it;

- **supply recalibration strategy**, mainly not aiming at defining the elements of the "late" product but resizing and adjustment of distribution and communication channels to the demands of such circumstances. The consumers can thus access easier the offer and

perceive the utility gain provided by the new product as an additional value that one can achieve in terms of relatively constant maintaining their costs;

- **transparent trading strategy** is aimed at consumers' seamless access to company resources, in this case stocks products, prices, technical specifications and advertising, media documentaries, etc. Also in this respect, a special place falls on home shopping and home delivery networks, non-stop operational and able to quickly bringing products at the consumption place, heavily eliminating the specific expenses of the traditional distribution channels, thus streamlining the purchasing act;

- **targeted group strategy** aims to identify and capitalize certain behavioral common characteristics of a low number of consumers segments that can be, from this point of view, a homogeneous group. Once the group identified, even if individuals do not realize that appurtenance, the company will build a positive product perception by that group and its potential to communicate the perceived value to the entire market. Essential in terms of successful implementation of this strategy is, on the one hand, to define those characteristics likely to facilitate the reception of the delayed launch product, and on the other hand, the individuals (consumers)' ability of using the group's influence about the others' consumption.

Certainly, in this paper, we've proposed no more than an insight of this complex and timely topics of marketing research, the suggested solutions might form the basis for certain theoretical thoroughnesses, but especially the identification of strategic options in the problematics of rolling out new products.

CONCLUSIONS

1. The marketing programme of delayed launching products advances a number of features related to the context of market penetration and consumer's potential reaction.
2. Product life cycle is profoundly affected by the consequences of changing the parameters of their performance, thus requiring a specific strategic approach to delayed launching.
3. In this situation, the company's strategic options are directed to a configuration of the offer that takes into account these products and their perceived value by consumers.
4. The delayed launching products issue reveals the need for a strict correlation of industrial marketing, specific to manufacturers with that appropriate to consumption by developing and implementing certain pragmatic and effective strategies.

References:

- [1]. William D. & McCarthy J. E., Product Life Cycle: "Essentials of Marketing", Richard D. Irwin Company, USA, 1997
- [2]. Robert G. Cooper, Winning with new products, Stage-Gate International, Product Development Institute Inc., USA, 2007
- [3]. Robert G. Cooper, How Companies are reinventing their Idea-To-Launch Methodologies, Research Technology Management, March-April 2009, Vol.52, No.2, pg.47-57
- [4]. Drummond G., Ensor J., Strategic Marketing: Planning and Control, Butterworth – Heinemann, U.K., 2001
- [5]. Lieberman, M.B., Montgomery, D.B., First mover advantages, Strategic Management Journal, vol.9, USA, 1988